

RESOLUTION NO. 2827

RESOLUTION RELATING TO SALES TAX REVENUE REFUNDING BONDS,
SERIES 2013; AUTHORIZING THE ISSUANCE AND MAKING PROVISIONS FOR
THEIR PAYMENT

BE IT RESOLVED by the City Commission of the City of Madison, South Dakota (the City) as follows:

SECTION 1. RECITALS, AUTHORIZATION AND SALE.

1.01. Recitals and Authorization. (a) The City is a political subdivision of the State of South Dakota and a body corporate and politic. Under the laws of the State of South Dakota, the City is possessed of all powers which are necessary, requisite or proper for the government and administration of its local and municipal matters, and all rights and powers that now or hereafter may be granted to municipalities by the laws of the State of South Dakota.

(b) The City is authorized by Chapter 10-52, South Dakota Codified Laws (the Act) to levy a “non-ad valorem tax” (as defined by the Act) on the sale, use, storage and consumption of items taxed under Sections 10-45 and 10-46, South Dakota Codified Laws, subject to certain exceptions, and the City has adopted and enacted Ordinances Nos. 1338 and 1380 (together, the Ordinance) pursuant to the Act imposing the sales taxes authorized by the Act within the City (the Sales Tax).

(c) The Act provides that cities levying a Sales Tax may issue non-ad valorem sales tax revenue bonds pursuant to Section 10-52-2.10 of the Act and Chapter 6-8B, South Dakota Codified Laws in anticipation of the collection of the Sales Tax. Such bonds are required to be payable solely from collections of the Sales Tax, and the City is required to covenant that it will continue to impose and collect the Sales Tax so long as such bonds are outstanding.

(d) As authorized by the Ordinance and the Act, the City has previously issued its \$1,605,000 Sales Tax Revenue Bonds, Series 2006, dated, as originally issued, as of July 1, 2006 (the Series 2006 Bonds).

(e) This Commission hereby determines that it is in the best interests of the City to authorize the issuance and sale of its Sales Tax Revenue Refunding Bonds, Series 2013 (the Bonds), the proceeds of which will be used, together with City funds on hand as may be required, to refund on December 1, 2014 (the Redemption Date) the Series 2006 Bonds maturing in 2015 and later years, currently outstanding in the aggregate principal amount of \$880,000 (the Refunded Bonds), in advance of their maturities, pursuant to South Dakota Codified Laws, Chapter 6-8B, and to pay the costs of issuance of the Bonds (including an original issue discount not to exceed 2% of the par amount of the Bonds and any bond insurance premium as may be required).

(f) The City has determined that the conditions set forth in the resolution authorizing issuance of the Series 2006 Bonds for the issuance of additional sales tax revenue bonds on a parity with the Series 2006 Bonds have been met.

1.02. Sale and Bond Purchase Agreement. The City hereby retains Dougherty & Company LLC, of Minneapolis, Minnesota, as underwriter for the Bonds (the Underwriter), and the Underwriter proposes to purchase the Bonds at a purchase price of not less than 98.5% of par (exclusive of original issue discount not to exceed 2% of the par amount of the Bonds), plus accrued interest, if any, the Bonds to bear interest at a rate or rates per annum resulting in an average yield not to exceed 2.00% per annum and to mature over a period not to exceed nine (9) years. The principal amount of the Bonds shall not exceed \$990,000. The Mayor and Finance Officer are hereby authorized and directed to agree with the Underwriter upon the exact purchase price, principal amount, maturities, redemption provisions and interest rate or rates for the Bonds, within the parameters set forth in this Section 1.02. The execution of a Bond Purchase Agreement setting forth such final terms by the Mayor and Finance Officer is hereby approved and authorized, and such execution shall be conclusive evidence of such agreement and shall be binding upon the City. The provisions of the Bond Purchase Agreement as so executed, including all Exhibits and Appendices thereto, are incorporated herein by reference.

1.03. City Officers Authorized to Execute Documents. The Mayor, Finance Officer and City Attorney are hereby authorized and directed to execute and deliver the Bond Purchase Agreement and the documents required thereunder, the Official Statement, the Bonds and any other documents required to complete the financing contemplated hereby. Execution and delivery of such documents by the Mayor, Finance Officer and City Attorney shall constitute evidence that such items are consistent with the terms of this resolution and have been duly authorized, executed and delivered by the City and are enforceable against the City in accordance with their terms, subject to customary exceptions relating to bankruptcy, reorganization, insolvency and other laws affecting creditors' rights. The Mayor, Finance Officer and City Attorney are further authorized to take such other actions as may be required to effectuate the terms and intent of this resolution. In the event of the absence or disability of the Mayor, Finance Officer or City Attorney, the acting Mayor, the acting Finance Officer or the acting City Attorney is hereby authorized to act in the place and stead of the Mayor, Finance Officer and City Attorney, and to take all actions and execute all documents approved hereby.

1.04. Official Statement. The Mayor, Finance Officer and the City Attorney are authorized, in cooperation with the Underwriter, to prepare an Official Statement to be distributed to prospective purchasers of the Bonds. The Mayor and the Finance Officer are hereby authorized and directed to approve and, if requested, to execute the final Official Statement.

SECTION 2. BOND TERMS, EXECUTION AND DELIVERY.

2.01. Execution, Authentication and Delivery. The Bonds shall be prepared under the direction of the Finance Officer and shall be executed and authenticated on behalf of the City by the signatures of the Mayor and the Finance Officer and countersigned by an attorney resident and licensed to practice in the State of South Dakota. All signatures may be printed,

lithographed, photocopied or engraved facsimiles of the original. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on the Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has been authenticated and delivered under this Resolution. After the Bonds have been so prepared and executed, the Finance Officer shall deliver them to the Registrar for delivery to the Underwriter on receipt of the purchase price heretofore agreed upon, and the Underwriter shall not be required to see to the application thereof.

2.02. Maturities and Interest Rates. The Bonds shall be issued in the denomination of \$5,000 each, or any integral multiple thereof, shall mature on the dates and in the respective years and amounts, and shall bear interest from date of original issue until paid or duly called for redemption at the respective annual rates stated opposite such maturity years as shown on Exhibit A to the Bond Purchase Agreement. The Bonds shall be issuable only in fully registered form and may be issued either in book-entry only form or in physical form. The interest thereon and, upon surrender of each Bond, the principal amount thereof, shall be payable by check or draft issued by the Registrar described herein, provided that if the Bonds are registered in the name of a securities depository, or a nominee thereof, in accordance with Section 2.08 hereof, principal and interest shall be payable in accordance with the operational arrangements of the securities depository.

2.03. Dates and Interest Payment Dates. Each Bond shall bear a date of original issue of the date of delivery thereof. Upon the initial delivery of the Bonds pursuant to Section 2.01 and upon any subsequent transfer or exchange pursuant to Section 2.06, the date of authentication shall be noted on each Bond so delivered, exchanged or transferred. The interest on the Bonds shall be payable on the dates shown on Exhibit A to the Bond Purchase Agreement, to the owner of record thereof as the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

2.04. Redemption. The Bonds shall be subject to redemption prior to maturity, at the option of the City, in the years and at the redemption prices set forth in Exhibit A to the Bond Purchase Agreement in such order of maturities as may be designated by the City and, within any maturity, in \$5,000 principal amounts selected by the Registrar by lot, assigned in proportion to their principal amounts. The Finance Officer shall cause notice of the call for redemption thereof to be published as and if required by law, and, at least thirty days prior to the designated redemption date, shall cause notice of the call thereof for redemption to be mailed, by first class mail (or, if applicable, by the bond depository in accordance with its customary procedures), to the registered owners of any Bonds to be redeemed at their addresses as they appear on the bond register described in Section 2.06 hereof, but no defect in or failure to give such mailed notice shall affect the validity of proceedings for the redemption of any Bond not affected by such

defect or failure. The notice of redemption shall specify the redemption date, redemption price, the numbers, interest rates and CUSIP numbers of the Bonds to be redeemed and the place at which the Bonds are to be surrendered for payment, which is the principal office of the Registrar. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

2.05. Appointment of Initial Registrar. The City hereby appoints The First National Bank in Sioux Falls, Sioux Falls, South Dakota, as bond registrar, transfer agent and paying agent (the Registrar). The Mayor and the Finance Officer are authorized to execute and deliver, on behalf of the City, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City agrees to pay the reasonable and customary charges of the Registrar for the services performed. The City reserves the right to remove the Registrar upon thirty (30) days' notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar and shall deliver the bond register to the successor Registrar. On or before each principal or interest due date, without further order of the Commission, the Finance Officer shall transmit to the Registrar, from the accounts described in Section 3, moneys sufficient for the payment of all principal and interest then due.

2.06. Registration. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its principal corporate trust office a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until such interest payment date.

(c) Exchange of Bonds. Whenever any Bonds are surrendered by the registered owner for exchange, the Registrar shall authenticate and deliver one or more new Bonds

of a like aggregate principal amount and maturity, as requested by the registered owner or the owner's attorney in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Bonds, the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any such Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that such Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms, it shall not be necessary to issue a new Bond prior to payment.

2.07. Bond Form. The Bonds shall be prepared in substantially the form presented to and approved by this Commission and on file in the office of the Finance Officer.

2.08. Securities Depository. The Finance Officer may, on or before the date of issue of the Bonds, direct that the Bonds be issued in book-entry only form and if issued in such form, the following provisions shall apply:

(a) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Bonds as securities depository.

“Representation Letter” shall mean the Representation Letter pursuant to which the sender agrees to comply with DTC’s Operational Arrangements.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever; and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC’s Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest.

Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of bond certificates, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The execution and delivery of the Representation Letter to DTC by the Mayor or Finance Officer is hereby authorized and directed.

(e) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of bond certificates and the method of payment of principal of and interest on such Bonds in the form of bond certificates.

SECTION 3. USE OF PROCEEDS; SPECIAL REVENUE FUND.

3.01. Use of Proceeds. The Finance Officer is hereby authorized and directed, simultaneously with the delivery of the Bonds, to deposit in escrow with The First National Bank in Sioux Falls, in Sioux Falls, South Dakota, as escrow agent (the Escrow Agent), proceeds of the Bonds which, together with any moneys from the debt service fund and debt service reserve fund allocable to the Refunded Bonds, are to be invested in securities authorized for such purpose by Chapter 6-8B, South Dakota Codified Laws, maturing on such dates and bearing interest at such rates as are required to provide funds sufficient, with cash retained in the escrow account, to pay interest to become due on the Refunded Bonds to and including the Redemption Date and to refund and redeem the Refunded Bonds on the Redemption Date. The remaining proceeds of the Bonds shall be applied to pay issuance expenses and, if necessary, to fund the Reserve Fund described below, and any remaining amounts shall be deposited in the Principal and Interest Account described hereinbelow. The Mayor and Finance Officer are hereby authorized to enter into an escrow agreement with the Escrow Agent establishing the terms and conditions for the escrow account.

3.02. Special Revenue Fund. The Finance Officer has established and will maintain the Special Revenue Fund as a separate and special fund in the financial records of the City until all Bonds issued and made payable therefrom, and interest due thereon, have been duly paid or

discharged. All collections of the Pledged Revenues, as hereinafter defined, shall be credited, as received, to the Special Revenue Fund. Within the Special Revenue Fund are various separate accounts maintained by the City.

3.03. Pledged Revenues. Pursuant to the Act and the Ordinance, the City has levied the Sales Tax on the sale, use, storage and consumption of items taxed under Sections 10-45 and 10-46 of South Dakota Codified Laws, subject to certain exceptions. That portion of the proceeds of the Sales Tax in excess of the proceeds produced by the first one percent (1%) of the Sales Tax is irrevocably pledged and appropriated to, shall be deposited to the Special Revenue Fund and is referred to herein as the “Pledged Revenues.” The Pledged Revenues and the Special Revenue Fund shall be used and applied only in the manner and order hereinafter set forth. For purposes of this Resolution, “Outstanding Bonds” shall mean the Series 2006 Bonds to the extent not defeased by the Bonds, the Bonds and any parity lien bonds hereafter issued pursuant to this Resolution.

3.04. Principal and Interest Account. There has been previously created and established as an account of the Special Revenue Fund, a “Principal and Interest Account.” Immediately upon delivery of the Bonds, there shall be credited to the Principal and Interest Account the amount of accrued interest, if any, received from the Underwriter. Commencing on the date specified in the Bond Purchase Agreement, there shall be withdrawn from the Special Revenue Fund at least monthly and credited to the Principal and Interest Account an amount which will equal at least one-sixth (1/6th) of the interest becoming due on the next succeeding payment date and one-twelfth (1/12th) of the principal becoming due on the next two succeeding payment dates with respect to the Outstanding Bonds. In all events there shall be credited to the Principal and Interest Account amounts sufficient to pay the principal of and interest on the Outstanding Bonds as the same become due.

3.05. Reserve Account. There has been previously created and established as an account of the Special Revenue Fund, a “Reserve Account.” There shall be credited to the Reserve Account from proceeds of the Bonds, if necessary, an amount sufficient to cause the amount on deposit in the Reserve Account to equal the combined maximum annual debt service on the Outstanding Bonds (the Minimum Reserve). In the event that the amount on deposit in the Reserve Account shall fall below the Minimum Reserve, additional deposits shall be made from the Pledged Revenues to the Reserve Account until the Minimum Reserve is again reached. Upon the issuance of any parity lien bonds, the Minimum Reserve established in this section shall be increased to an amount equal to the combined maximum annual debt service on the Outstanding Bonds. The balance required shall be funded on the delivery date of the parity lien bonds. Moneys credited to the Reserve Account may be used only for the payment of principal of and interest on the Outstanding Bonds and shall be used only in the event that there are insufficient moneys in the Principal and Interest Account to meet such principal and interest payments promptly when due. The interest from any investment of the Reserve Account may be transferred from time to time to the Construction Account heretofore established within the Special Revenue Fund if a project is then being carried out from amounts deposited therein, provided that after completion of a project such interest shall be transferred to the Principal and Interest Account. No transfer of investment income shall be made from the Reserve Account at

any time when the balance therein is less than the Minimum Reserve. Such investments shall be subject to the limitations of South Dakota law.

3.06. Subordinate Lien Bonds. After making the above required payments, any remaining Pledged Revenues may be used for the payment of the principal of and interest on any additional sales tax revenue bonds having a lien which is subordinate to the lien of the Outstanding Bonds, and for a reserve fund as additional security for the payment of such subordinate lien bonds.

3.07. Other Expenditures. The remaining Pledged Revenues may be used for any legally authorized purpose.

3.08. Deposit and Investment of Funds. The Finance Officer shall cause all moneys pertaining to the Special Revenue Fund to be deposited as received with one or more banks which are duly qualified public depositories under the provisions of Chapter 4-6A, South Dakota Codified Laws, in a deposit account or accounts, which shall be maintained so long as any of the Bonds and the interest thereon shall remain unpaid. Any of such moneys not necessary for immediate use may be deposited with such depository banks in savings or time deposits. No moneys shall at any time be withdrawn from such deposit accounts except for the purposes of the Special Revenue Fund as authorized in this Resolution, except that moneys from time to time on hand in the Special Revenue Fund may at any time, in the discretion of this Commission, be invested in securities permitted by the provisions of Section 4-5-6, South Dakota Codified Laws, provided that moneys on hand in the Reserve Account may be invested only in permitted investments maturing and bearing interest at the times and in the amounts estimated to be required to provide cash when needed for the purposes of the respective accounts. Income received from the deposit or investment of moneys shall be credited to the account from whose moneys the deposit was made or the investment was purchased, and handled and accounted for in the same manner as other moneys in that account.

SECTION 4. ADDITIONAL BONDS. No additional Bonds shall be issued and made payable from the Pledged Revenues which have a lien upon such revenues and the Special Revenue Fund which is prior to or superior to the lien of the Bonds authorized herein. Nothing in this Resolution shall be construed in such manner as to prevent the issuance by the City of additional bonds payable from the Pledged Revenues and constituting a lien upon the Pledged Revenues and the Special Revenue Fund equal to or on a parity with the lien of the Bonds authorized herein, provided (i) the City is current in the payment of principal and interest on the Outstanding Bonds and is current in the accumulations required for the Principal and Interest Account and the Reserve Account, (ii) the City is in compliance with the covenants herein contained, and either (iii) the Pledged Revenues collected by the City in the last preceding fiscal year (as determined by the City) is sufficient to cover 1.25 times the combined average annual principal and interest requirements on the Outstanding Bonds, and the proposed parity lien bonds, or (iv) the estimated Pledged Revenues to be collected in the fiscal year in which the proposed parity lien bonds will be issued shall be at least equal to 1.25 times the combined average annual principal and interest requirements of the Outstanding Bonds and the proposed parity lien bonds. Nothing herein shall prevent the City from issuing Bonds payable from the Pledged Revenues and the Special Revenue Fund and having a lien thereon which is junior and

subordinate to the lien of the Bonds authorized herein. If necessary to obtain bond insurance, the coverage requirements, together with any other changes, additions or amendments to this resolution necessary to satisfy the requirements of the bond insurer, shall be incorporated in an appendix to the Bond Purchase Agreement, and shall be deemed to be incorporated herein by reference.

SECTION 5. DEFEASANCE. When all of the Bonds have been discharged as provided in this section, all pledges, covenants and other rights granted by this resolution shall cease. The City may discharge its obligations with respect to any Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full, or, if any Bond should not be paid when due, the same may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued from the due date of such deposit. The City may also discharge its obligations with respect to any prepayable Bonds according to their terms by depositing with the Registrar on or before that date an amount equal to the principal and interest which are then due, provided that notice of such redemption has been duly given as provided herein. The City may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank qualified by law to act as an escrow agent for this purpose, cash and/or securities which are general obligations of the United States or securities of United States agencies which are authorized by law to be so deposited, bearing interest payable at such times and at such rates and maturing on such dates, as shall be required to pay all principal and interest to become due on such Bonds to maturity or the redemption date thereof, as the case may be.

SECTION 6. COVENANTS OF THE CITY. The City hereby irrevocably covenants and agrees with each and every holder of the Bonds, that so long as any of the Bonds remain outstanding:

(a) it will not amend or repeal the Ordinance, except as required in order to comply with State law relating to the Sales Tax, by decreasing the sales tax rate or the allocation of Pledged Revenues to the Special Revenue Fund, or in any other way, provided that no amendment will be made that would adversely affect the amount of the Pledged Revenues. However, nothing shall prevent the City from amending the Ordinance in order to make certain changes in the administration, collection or enforcement of the Sales Tax, provided that such changes would not materially adversely affect the owners of the Bonds;

(b) it will administer, enforce, and collect, or cause to be administered, enforced or collected, the Sales Tax authorized by the Ordinance, and shall take such necessary action to collect delinquent payments in accordance with law;

(c) it will keep or cause to be kept such books and records showing the proceeds of the Sales Tax, in which complete entries shall be made in accordance with standard principles of accounting, and any owner of any Bond shall have the right at all reasonable times to inspect the records and accounts relating to the collection and receipts of such Sales Tax; and

(d) in the event the Sales Tax of the City is replaced and superseded by a state collected-locally shared sales tax or taxes, or is replaced and superseded in some other manner from some other source or sources, the revenues derived by the City from the replacement source or sources, as received by the City shall be appropriated in the same manner as if the City had levied and imposed a sales tax. From and after the date of a replacement, the Outstanding Bonds shall have a first and prior lien, but not necessarily an exclusive such lien, upon such replacement revenues to the extent therein specified.

SECTION 7. INVESTMENTS; ARBITRAGE AND QUALIFIED TAX-EXEMPT OBLIGATIONS.

7.01. Covenant. The City covenants and agrees with the registered owners from time to time of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bonds to become includible in gross income of the recipient under the Internal Revenue Code of 1986, as amended (the Code), and applicable Treasury Regulations (the Regulations) and covenants to take any and all actions within its powers to ensure that the interest on the Bonds will not become includible in gross income of the recipient under the Code and the Regulations. The Finance Officer shall ascertain monthly the amount on deposit in the Principal and Interest Account. If the amount on deposit therein, ever exceeds by more than an amount equal to the lesser of (i) 5% of the original principal amount of all Outstanding Bonds, or (ii) the aggregate amount of principal and interest due and payable from the Principal and Interest Account within 13 months thereafter, such excess shall either (1) not be invested except at a yield equal to or less than the yield borne by the Bonds, or (2) be used to prepay and redeem principal of the Outstanding Bonds.

7.02. Certification. The Mayor and Finance Officer, being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this resolution, are authorized and directed to execute and deliver to the Underwriter a certificate in accordance with the provisions of Section 148 of the Code and applicable Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of the Code and Regulations.

7.03. Qualified Tax-Exempt Obligations. This Commission hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions, and hereby finds that the reasonably anticipated amount of tax-exempt obligations (within the meaning of Section 265(b)(3) of the Code) which will be issued by the City and all subordinate entities thereof during calendar year 2013 does not exceed \$10,000,000.

7.04. Arbitrage Rebate Exemption. It is hereby found that the City has general taxing powers, that (i) the aggregate face amount of the issue of which the Bonds are a part does not exceed \$5,000,000; (ii) the Refunded Bonds were issued as part of an issue which was treated as meeting the requirements of Section 148(f)(2) and (3) of the Code by reason of Section 148(f)(4)(D) thereof; (iii) the average maturity date of the Bonds is not later than the remaining average maturity of the Refunded Bonds and (iv) no Bond has a maturity date which is later than

30 years after the date of issuance of any Refunded Bond. Therefore, pursuant to Section 148(f)(4)(D)(v) of the Code, the City shall not be required to comply with the arbitrage rebate requirements of paragraphs (2) and (3) of Section 148(f) of the Code.

SECTION 8. CONTINUING DISCLOSURE. The City acknowledges that the Bonds are subject to the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12) (as in effect and interpreted from time to time, the Rule). The Rule governs the obligations of certain underwriters to require that issuers of municipal obligations enter into agreements for the benefit of the holders of the obligations to provide continuing disclosure with respect to the obligations. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit participating underwriters in the primary offering of the Bonds to comply with the Rule, which will enhance the marketability of the Bonds, the Mayor and Finance Officer are hereby authorized and directed to execute a Continuing Disclosure Agreement (the Agreement), by which the City agrees to provide such information, either directly or through a disclosure agent. The City hereby covenants and agrees to observe and perform the covenants and agreements contained in the Agreement, unless amended or terminated in accordance with the provisions thereof, for the benefit of the registered owners or beneficial owners from time to time of the Outstanding Bonds as provided in the Agreement.

SECTION 9. CERTIFICATION OF PROCEEDINGS. The officers of the City are authorized and directed to prepare and furnish to the Underwriter and to Dorsey & Whitney LLP, Bond Counsel, certified copies of all proceedings and records of the City relating to the authorization and issuance of the Bonds and such other affidavits and certificates as may reasonably be required to show the facts relating to the legality and marketability of the Bonds as such facts appear from the officers' books and records or as are otherwise known to them. All such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the City as to the correctness of the facts recited therein and the actions stated therein to have been taken.

SECTION 10. AMENDMENT. This resolution may be amended at any time prior to the issuance of the Bonds by adoption of an administrative resolution.

SECTION 11. REDEMPTION OF REFUNDED BONDS. The Finance Officer is hereby authorized and directed forthwith to call, or to cause the Escrow Agent to call, for redemption on the Redemption Date all Refunded Bonds. Notice of the redemption of the Refunded Bonds shall be mailed in accordance with the terms of the resolution authorizing their issuance.

Upon vote being taken thereon, the following voted in favor thereof:

Commissioners Abraham, Delzer, Waldner, Ericsson and Mayor Hexom

and the following voted against the same:

None

whereupon the resolution was declared duly passed and adopted and was approved and signed by the Mayor and attested by the Finance Officer.

CITY OF MADISON

/s/Gene Hexom
Mayor

ATTEST: /s/Jeff Heinemeyer
City Finance Officer

Adopted: December 3, 2012
Published: December 6, 2012
Effective Date: December 27, 2012